TESTIMONY OF THE MAINE HOSPITAL ASSOCIATION

On the Recommendations of the MaineCare Redesign Task Force

December 11, 2012

Commissioner Mayhew and Members of the MaineCare Redesign Task Force my name is Art Blank, I am the CEO of Mount Desert Island Hospital and current Board Chair for the Maine Hospital Association. I am here today to offer my thoughts on your recommendations.

MDI Hospital is a 25-bed Critical Access Hospital in Bar Harbor and includes a network of health centers in the MDI region and an affiliated residential care community. Our organization is very proud to have earned one of the nation's most competitive awards for quality. MDI Hospital is one of only 13 hospitals selected from nearly 1,200 nationally to receive the Leapfrog Group's Top Rural Hospital distinction. This is the fourth national recognition my colleagues at MDI Hospital have earned this year.

The Maine Hospital Association represents all 39 community-governed hospitals that include 36 non-profit general acute care hospitals, 2 private psychiatric hospitals, and 1 acute rehabilitation hospital. In addition to acute care hospital facilities, our hospitals represent 14 home health agencies, 19 skilled nursing facilities, 21 nursing facilities, 13 residential care facilities, and more than 300 physician practices.

Before I comment on the recommendations, please know that I understand the difficult task you were given to find savings in the MaineCare program. As your work has shown, it is easier said than done. Even with the help of national experts and your own personal experience, crafting credible savings initiatives, particularly those for which immediate savings are possible, is difficult.

Hospital Related Cuts

There are several hospital specific cuts in your short-term recommendations and I would like to speak briefly to two of them.

Readmissions

You are proposing to save up to $1.5 million per year by changing the current MaineCare non-payment policy for readmissions. Hospital leaders do not want to see patients who have received care at a hospital to return a short time later for the same condition. It is an indication that the original care could have been provided better.

But, a readmission is not always due to the original care provided at the hospital. Once a patient leaves a hospital there are so many other factors at play: the availability and quality of primary and home care services, the quality of care at the long-term care facilities which many patients come from (and are subsequently discharge to after a hospital stay), and the patients

themselves. If a patient doesn't complete her course of prescribed antibiotics for pneumonia, for example, that patient may quickly get sick again.

Maine has slightly lower than national average readmission rates for the Medicare populations. We were surprised to hear that your national experts have data indicating Maine has higher than average readmission rates for the Medicaid population.

Our ask for this recommendation is that the Department take some time and craft a sensible readmission policy that can achieve savings but that also produces the kind of quality outcomes we all seek. In fact, your report, on page 28, recommends that DHHS look at different options in implementing an expanded readmission policy. Hospitals would be happy to work with DHHS on such a policy.

Hospital Acquired Conditions

The inclusion of this recommendation is surprising. My understanding is that you are making a proposal based upon what Maryland did in 2009. Yet, we have not gone through the extensive process Maryland did to select their additional HACs or craft the "penalty." In fact, the draft report does not even list the 49 additional HACs to be included in the MaineCare penalty program. Nor does it explain the penalty methodology. As a result, as a hospital administrator I can neither explain to my medical leaders or my CFO what is going on here.

I am not suggesting that HAC-related issues should be ignored. We would simply suggest that this recommendation be placed in the medium-term strategy section so that we can take a little time to actually understand what is being proposed and to give hospitals a few months to actually prepare for the change.

Rate Cuts

Let me also quickly thank you for making the smart decision to not institute rate cuts. MaineCare rates of reimbursement for hospitals in Maine are low and reducing them further is not sustainable.

Cutting rates is not redesigning the program. It does not improve efficiency, health, outcomes or administration. Cutting rates does impact access to care and the services that can be provided.

High-cost Users

Additionally, hospitals support your efforts at reviewing the approximately 5% of patients who consume 55% or so of MaineCare's services. These individuals have many difficult co-occurring conditions. Yet, MaineCare's per patient spending on these individuals (including hospital services) exceeds the national average by a considerable amount. It does not make sense to try and squeeze more savings out of the bottom 80% of the program.

Individuals in the bottom 80% consume less than $1,000 per year in services. Reducing their services, or cutting rates associated with those services seems inefficient. Those in the top 5% consume almost $70,000 in services annually. Some of that spending will never be changed (the car crash victim that spends several weeks in the ICU). However, much of that spending is

for the maintenance and management of chronic conditions. We must do better on those, and for those, individuals.

Other Issues

As many of you know, hospitals are facing significant cuts in Medicare due to actions of the federal government. The Affordable Care Act, the "fiscal cliff", the "doc fix" and the "sequester" are all issues that will result in Maine hospitals losing hundreds of millions of dollars over the next 10 years.

Finally, at the state-level, the MaineCare program continues to owe hospitals approximately $450 million in payment for care provided as long ago as 2009.

Hospital backs are beginning to buckle and we as a society can not afford for them to break. **Thank you for accepting my comments.**